



THE CITY OF SAN DIEGO

## Honorable Mayor and City Council of the City of San Diego, California

I am pleased to present to the Honorable Mayor and City Council the City of San Diego's Fiscal Year 2004 Proposed Budget. The Fiscal Year 2004 Proposed Total Combined Budget is \$2.3 billion. This includes \$739.8 million for General Fund expenditures, \$769.4 million for Enterprise Fund operations, \$287.3 million for Special Revenue Funds, \$10.3 million for Debt Service and Tax Funds, and \$502.3 million for Capital Improvements Program expenditures.

The local economy continues to experience the effects of declining consumer confidence, higher unemployment trends, a weak national economy and potential impacts from the State of California budget crisis. These factors have resulted in lower rates of growth for major General Fund revenues when compared to historic trends. With limited revenue growth and increased costs of providing services, fiscal policies have been implemented to continue as many Fiscal Year 2003 General Fund service levels as possible.

Even in the midst of proposed General Fund service reductions, the Fiscal Year 2004 Proposed Budget does not include the closure of any City facilities, nor does it utilize the City's Reserves. Although the Fiscal Year 2004 Proposed General Fund Budget has a net increase of approximately \$10 million over the Fiscal Year 2003 Annual General Fund Budget, approximately \$30 million in General Fund department reductions were necessary to offset necessary increases in both personnel and non-personnel expenses. These department reductions were considered strategically over several months and prioritized in order to reduce the impact in service delivery.

The potential State impact on the City's finances may be significant, although no conclusive information is available as to what will be approved by the Legislature. For this reason, the Fiscal Year 2004 Proposed Budget excludes any action the State may take that will impact the City's Budget. The Governor will provide updated information in his annual May Revise, which will be incorporated into the City Manager's June Revision. However, it is possible that the State Budget may not be adopted by the end of June. During these next months, strategizing for these impacts and preparing for the possibility of creating a revised budget on a delayed calendar will be a primary focus in order to be equipped to manage these effects in the most fiscally responsible manner possible.

As the economy continues to be uncertain, the Fiscal Year 2004 Proposed Budget requires the City's operations to adjust correspondingly. We will continue to closely monitor economic indicators and to appropriately plan and make adjustments as necessary to maintain a balanced budget while minimizing, to the extent possible, the service level impacts to the public.

Respectfully submitted,

Michael T. Uberuaga  
City Manager

